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IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF ALASKA

UNITED STATES OF AMERICA,	)	No. _____
	)	
Plaintiff,	)	
	)	
vs.	)	
	)	
RICHARD L. SMITH,	)	
	)	
Defendant.	)	
_____	)	

**FACTUAL BASIS FOR PLEA**

At all times relevant hereto:

1. The defendant, RICHARD L. SMITH, (hereinafter "SMITH" or "defendant"), also known as RICK SMITH, was the Vice President of Community and Government Affairs for VECO.
2. BILL J. ALLEN (hereinafter "ALLEN") was the Chief Executive Officer and a part owner of VECO Corporation.

3. VECO Corporation ("VECO") was originally incorporated in 1979 as VECO International, Inc., a Delaware corporation. The name was changed to VECO Corporation in 1995. VECO was a multi-national corporation that provides services (including project management, engineering, procurement, construction, operations and maintenance) to the energy, resource and process industries and to the public sector. VECO employed approximately 5,000 people in various projects worldwide, and is or has been comprised of the following companies: (1) VECO Alaska, Inc.; (2) VECO Construction, Inc.; (3) VECO Controls, Inc.; (4) VECO Environmental & Professional Services; (5) VECO Equipment, Inc.; (6) VECO Middle East, Inc.; (7) VECO Operations, Inc.; (8) VECO Pacific, Inc.; (9) VECO Products, Inc.; (10) VECO Properties, Inc.; (11) VECO Services, Inc.; and (12) Southwest VECO, Inc. VECO was not in the business of residential construction or remodeling.

4. VECO Executive A was an executive of VECO.

5. VECO Executive B was an executive of VECO.

6. "State Representative A" was an elected member of the Alaska State House of Representatives, and has served from 1995 to the present.

7. "State Representative B" was, from 1992 to 2006, an elected member of the Alaska State House of Representatives

8. "State Representative C" was, from 2003 to 2006, an elected member of the Alaska State House of Representatives.

9. "State Senator A" is an elected member of the Alaska State Senate. State Senator A was first elected to the Alaska State Senate in 2000.

10. "State Senator B" was, from 2001 to 2006, a member of the Alaska State Senate.

**A. State Representative A**

11. From on or about January 1, 2006, to on or about August 30, 2006, SMITH knew that he and ALLEN corruptly provided at least two separate cash payments to State Representative A: (1) a cash payment of \$1,000, given to State Representative A by ALLEN at the Island Pub, a restaurant in Juneau, Alaska, at a dinner meeting at which SMITH also attended; and (2) two separate cash payments totaling as much as \$1,100, given by ALLEN and SMITH to State Representative A in a hotel room at a hotel in Juneau, Alaska.

12. After these payments, State Representative A offered to take official actions and use his official position to support particular pieces of legislation requested by ALLEN and SMITH. For instance, and without limitation, on or about March 30, 2006, immediately after receiving the second of the two cash payments in the hotel suite described above, State Representative A asked ALLEN and SMITH what State Representative A could do "for you guys," ALLEN said that the passage of the oil tax and gas pipeline legislation was important to them. State Representative A thereafter agreed to lobby his colleagues in the Alaska State Legislature to support the legislation favored by VECO.

**B. State Representative B**

13. From on or about January 1, 2006, to on or about August 30, 2006, ALLEN and SMITH corruptly provided multiple financial benefits to State Representative B. For instance, on or about June 1, 2006, in a hotel room located in Juneau, Alaska, ALLEN gave State Representative B a cash payment of approximately \$1,000.

14. In or about July and August 2006, State Representative B asked for, and ALLEN and SMITH agreed to provide, additional funds to State Representative B. Accordingly, on or

about July 31, 2006, SMITH provided, at State Representative B's request, approximately \$7,993 to State Representative B through an inflated invoice prepared by a private business owned by State Representative B. State Representative B referred to this scheme as "foolproof." The check given to State Representative B was drawn on ALLEN's personal checking account.

15. From in or about September 2005 to on or about August 30, 2006, ALLEN and SMITH discussed with State Representative B multiple times the possibility that State Representative B would obtain post-legislative work, as a lobbyist or otherwise with VECO or with VECO's assistance. In one of these conversations, State Representative B told ALLEN and SMITH, "You'll get your pipeline . . . and I'll get my job . . . ."

16. From in or about September 2005 to on or about August 30, 2006, ALLEN and SMITH asked State Representative B on multiple occasions to assist VECO's political and business objectives by taking official actions and by using State Representative B's official position as a member of the Alaska State Legislature. For instance, and without limitation, on or about May 7, 2006, State Representative B was on the floor of the Alaska State House of Representatives in Juneau, Alaska, during a vote on a particular piece of legislation. ALLEN and SMITH contacted State Representative B on State Representative B's cellular telephone, and gave State Representative B instructions on how to vote on the particular piece of legislation. Thereafter, State Representative B called ALLEN and SMITH - again, from the floor of the Alaska State House of Representatives - and gave information to ALLEN and SMITH concerning the status of the vote and the projected outcome. Later that evening, in a meeting between ALLEN, SMITH, and State Representative B in a hotel room in Juneau, Alaska, State

Representative B told ALLEN and SMITH that State Representative B's vote on that particular piece of legislation was directly the result of ALLEN and SMITH's request.

**C. State Representative C**

17. In or about late April or early May 2006, State Representative C, a lawyer in private practice, sent a letter to VECO, addressed to ALLEN, seeking paid legal work with VECO at the conclusion of the 2006 legislative session. SMITH believed that State Representative C's solicitation of legal work was actually an offer by State Representative C to corruptly solicit work from VECO in exchange for State Representative C's agreement to take official acts to further VECO's political objectives.

18. From in or about May 2006 to on or about August 30, 2006, ALLEN told State Representative C that ALLEN would discuss providing VECO legal work with VECO's legal counsel after the end of the 2006 legislative session, but that State Representative C needed to support certain legislation favored by VECO that was pending before the House of Representatives. ALLEN discussed this strategy with SMITH both before and after presenting the proposal to State Representative C, and SMITH was present at a meeting between ALLEN and State Representative C where the proposal was discussed. State Representative C did in fact support the legislation VECO favored, and SMITH believed that State Representative C did so because State Representative C believed VECO would provide him with legal work in exchange for the support. As of August 30, 2006, however, VECO had not provided State Representative C with any legal work.

**D. State Senator A**

19. On or about June 22, 2006, State Senator A called SMITH to tell SMITH that another elected official needed some money. State Senator A suggested that SMITH, ALLEN, and/or VECO could provide another elected official with money and other things of value, and that in exchange, another elected official would be willing to use his official position to assist VECO and its interests. In response, SMITH told State Senator A that "[w]e don't have a problem getting some checks to [another elected official] if we can – if he can come through on the PPT and the, the gas line."

20. On or about June 24, 2006, State Senator A called ALLEN and told him that State Senator A had spoken with SMITH earlier in the week, and that State Senator A had come up with an idea to provide another elected official with funds in exchange for another elected official's support on legislation. According to State Senator A, the other elected official agreed, and wanted to meet with ALLEN to discuss the matter.

21. On or about June 25, 2006, ALLEN met with State Senator A and the other elected official at a restaurant in Anchorage, Alaska. In that meeting, State Senator A told the other elected official that VECO, through ALLEN, was willing to raise campaign funds for the other elected official's campaign in exchange for voting "the way me and [State Senator B] were to vote" on particular legislation. ALLEN discussed this strategy with SMITH both before and after presenting the proposal to the other elected official. When the other elected official asked how much campaign funds ALLEN was willing to provide, ALLEN said \$25,000. The other elected official indicated that the amount of money was sufficient, but that the other elected official needed to make sure he was willing to support the particular legislation VECO favored.

22. Between in or about June 2006 and on or about August 30, 2006, ALLEN and SMITH did not have any further conversations with the other elected official concerning the payment, and VECO did not provide the other elected official with campaign contributions, nor did ALLEN, SMITH or anyone at VECO host a fundraiser for the other elected official.

**E. State Senator B**

23. SMITH is aware that, from in or about 1995 until in or about 2001, ALLEN authorized VECO to engage and pay for on a monthly basis the consulting services of a private company owned by State Senator B, who was, at that time, not an elected public official.

24. From approximately January 2002 to August 30, 2006, during which time State Senator B was a member of the Alaska State Senate, ALLEN corruptly authorized VECO to continue to make monthly payments to the private company owned by State Senator B. SMITH processed invoices sent to VECO by State Senator B. Although ALLEN, SMITH and VECO characterized these payments to State Senator B as being for consulting services, SMITH acknowledges that in actuality the services provided by State Senator B related to giving advice, lobbying colleagues and taking official acts in matters before the legislature. Pursuant to this arrangement, VECO paid State Senator B a total of \$243,250, comprised of the following yearly totals:

<b>YEAR</b>	<b>AMOUNT</b>
2002	\$47,500
2003	\$47,500
2004	\$47,500
2005	\$57,000

2006	\$43,750
<b>Total</b>	<b>\$243,250</b>

25. From in or about 2002 to in or about December 2004, SMITH did not ask State Senator B to perform any consulting work unrelated to State Senator B's official position as a member of the Alaska State Legislature. During that time period, SMITH instead asked State Senator B to use his official position to advance certain legislation pending in the Alaska State Legislature that ALLEN, SMITH and VECO favored. SMITH is unaware of other work, if any, that State Senator B may have performed for VECO during that time.

26. From in or about January 2005 to on or about August 30, 2006, SMITH did not ask State Senator B to perform any consulting work unrelated to State Senator B's official position as a member of the Alaska State Legislature. During that time period, SMITH instead asked State Senator B to use his official position to advance certain legislation pending in the Alaska State Legislature that ALLEN, SMITH and VECO favored. SMITH believed the "consulting" payments made to State Senator B in 2005 and 2006 were exclusively in return for State Senator B's efforts in passing the aforementioned legislation.

27. SMITH was aware that, in or about 2006, ALLEN also offered, and State Senator B agreed to accept, an offer of employment with VECO. During this same time period, SMITH and ALLEN had multiple discussions concerning the employment offer to State Senator B. By in or about June 2006, SMITH knew that State Senator B had agreed to accept the offer of employment with VECO, and that both State Senator B and VECO wanted to keep the arrangement secret until after State Senator B left public office.



28. State Senator B took multiple official acts consistent with the strategy for passage of legislation sought by ALLEN and/or SMITH. This strategy was repeatedly discussed among ALLEN, SMITH, and State Senator B. The acts taken by State Senator B in furtherance of that strategy included a series of votes in or about the summer of 2006 on a specific piece of legislation pending before the Alaska State Senate.

**F. Conspiracy to Impair and Impede the Internal Revenue Service**

29. In or about 2005 and in or about 2006, SMITH directed certain VECO executives, including VECO Executive A and VECO Executive B, to make state and federal political campaign contributions in their own names to specific candidates and in specific monetary amounts. SMITH directed these contributions knowing that each VECO executive, including VECO Executive A and VECO Executive B, had received, or would be receiving, a "special bonus" of corporate funds exclusively for the purpose of making state and federal political campaign contributions without using their base salaries or performance-related bonuses. SMITH was involved in determining the amount that each VECO executive needed to receive as a "special bonus" in order to facilitate the necessary political contributions.

30. In or about 2005 and in or about 2006, SMITH also made state and federal political campaign contribution in his own name, knowing that in fact the true source of the contribution came from VECO through the "special bonus" program.

31. When participating in the "special bonus" scheme described in Paragraphs 30 and 31, above, SMITH understood that VECO routinely reported employee compensation, including bonuses, as legitimate corporate expenditures on VECO filings with the Internal Revenue Service of the United States Department of Treasury.

32. In or about 2005 and in or about 2006, SMITH knowingly used and caused the use of VECO corporate funds to pay more than \$10,000 in expenses for fundraisers for a candidate for elected office, knowing that those expenses would ultimately be recorded as legitimate corporate expenditures on VECO filings with the Internal Revenue Service of the United States Department of Treasury.

**G. Total Amount of Illegal Payments Made by ALLEN and SMITH**

33. Based on the conduct described herein, and including certain other criminal conduct not specifically included herein, SMITH admits that the total amount of illegal benefits provided to elected public officials, their family members, and or their campaigns by ALLEN and SMITH totals an amount greater than \$400,000.

**H. This Document Does Not Set Forth a Complete Statement of All Relevant Facts**

34. SMITH acknowledges that the statements and admissions contained in the foregoing Factual Basis for Plea do not constitute all of the facts relevant to the matters discussed herein, nor do the foregoing paragraphs contain a complete discussion of the acts taken and/or crimes committed by SMITH and/or his co-conspirators. Instead, SMITH understands that this Factual Basis for Plea is merely a summary of some, but not all, criminal conduct engaged in by

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SMITH. SMITH further understands that he may be required at future proceedings to provide further and more complete details of the matters discussed herein.

DATED: 5/3/07

  
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RICHARD L. SMITH  
Defendant

  
\_\_\_\_\_  
MICHAEL J. KEENAN, Esq.  
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